



## Letter to our Shareholders

Dear Shareholders,

The reality of EADS today is the progress of its major projects. I therefore draw your attention to a few tangible signs of EADS's capacity to change.

The A380 has just been delivered in a state of maturity hitherto unequalled for a first production aircraft. While Singapore Airlines is unveiling the luxurious layout of this airliner, British Airways only recently gave its nod of approval, with an order for 12 aircraft. A commercial success to be added to those obtained at the Le Bourget Paris Air Show, where Airbus generated more than 400 orders, all models included.

Power8 is progressing; the social partners have opened a constructive dialogue and appear to attach importance to the company's competitiveness. Offers for sites are currently being examined and analysed. This far-reaching Group transformation process must serve to consolidate a financial situation that remains sound in terms of availability of funds, but with a level of profitability that needs to be recovered.

Finally, the reforms made to company governance by core shareholders, which were welcomed by the market, represent a crucial step towards standardisation of the Group. The appointment of four additional, independent directors will result in better representation of shareholders at large, and will help to strengthen the financial markets' confidence in the company.

Not everything has been resolved. Among other challenges, the A400M presents risks, but we have undertaken a number of actions, the most visible of which is the change in program management. The progress of the program towards commissioning requires an exemplary effort from everyone involved, including our partners. In particular, we will conduct an in-flight test program which will explore a flight envelope and military operating conditions that are new to Airbus engineers.

On a much broader scale, we must restore the balance of the company as far as defense is concerned and become more international, which will allow us to recover a competitiveness that has been damaged by a fluctuating dollar.

Although these challenges are not new, we are fully concentrated on resolving them.

**PIERRE DE BAUSSET**  
Senior Vice President, Head of Investor Relations and Financial Communication

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## CHANGES IN THE CORPORATE governance of EADS

➔ EADS shareholders have decided – together with the EADS management team – to modify the company's current management and leadership structure. Guiding principles of the modification are efficiency, cohesiveness and simplification of EADS management and leadership structure, towards governance best practices and in the respect of balance between the French and the German shareholders. The German Government has been consulted as well.

Rüdiger Grube will assume the position of sole Chairman of the Board of Directors of EADS. In this role, he will be responsible for overseeing the Group's strategic development and dealings with its Shareholders. In particular, he will chair the newly created EADS strategic committee.

Louis Gallois will assume the position of sole CEO of EADS. In this role, he will be responsible for

leading the management team in the execution of the Group's strategy and managing the company's interaction with public shareholders.

Thomas Enders will assume the position of CEO of Airbus in the Toulouse headquarters of the company, reporting to the CEO of EADS. He will be supported by Fabrice Brégier as COO of Airbus.

The Shareholders have also concluded that it is in the best interest of the Group to recommend an increase in the number of independent members on the Board of Directors to appropriately reflect the global profile of EADS by conforming to international corporate governance best practices.

As part of this proposal both DaimlerChrysler and French holding company, Sogead, will each relinquish two seats on the Board of Directors. The Board will propose at the next shareholders meeting the election of four independent directors, who will join the Chairman, the CEO, two representatives from DaimlerChrysler, two representatives from Sogead and one representative from SEPI on the future Board of Directors of EADS. Apart from the CEO, the Board will no longer comprise executive directors.

EADS and its Shareholders believe that this redesigned Board structure enables a continued

close working relationship among existing Board members while providing the Group with the additional benefit of the experience and independent perspective that the new members will bring to their responsibilities. The EADS CEO and his Executive Committee will have more leeway in the day-to-day management of the company: in particular, investments below € 350M become its sole responsibility, as well as for the appointment of the management teams of EADS main subsidiaries and business units, save for Airbus CEO and EADS Executive committee, whose appointment will be decided by EADS CEO, EADS Chairman and the Board.

The Board of Directors' decisions will be taken on a simple majority vote, save for a limited list of reserved matters (including appointment of Chairman, EADS CEO and Airbus CEO and major strategic or investment decisions), which will require approval by Sogead and DaimlerChrysler directors.

The management appointments at EADS will adhere to the principles of the "best man for the job" while at the same time maintaining the balance and diversity of the Group, consistent with its heritage and founding shareholders.

These modifications will reinforce the efficiency of the Group and contribute to strengthen its

Under the simplified management structure, EADS will be led by a single Chairman and a single CEO.



The Board of the Company is proposing to the Extraordinary General Meeting the following appointments of Board members:

- **Mr. Rüdiger Grube**, Chairman of EADS
- **Mr. Louis Gallois**, CEO of EADS
- **Mr. Rolf Bartke**, Chairman of Kuka AG
- **Mr. Dominique D'Hinnin**, Chief Financial Officer of Lagardère SCA
- **Mr. Juan Manuel Eguiagaray Ucelay**, Director of Studies at Fundación Alternativas
- **Mr. Arnaud Lagardère**, General Partner and CEO of Lagardère SCA
- **Mr. Hermann-Josef Lamberti**, Member of the Management Board of Deutsche Bank AG
- **Mr. Lakshmi N. Mittal**, President and Chief Executive Officer of Arcelor Mittal
- **Sir John Parker**, Chairman of National Grid
- **Mr. Michel Pébureau**, Chairman of BNP Paribas
- **Mr. Bodo Uebber**, Member of the Board of Management of DaimlerChrysler AG

position as a global leader of the aeronautics and defence industry. They will be fully implemented and become effective after the EGM held on October 22<sup>nd</sup>, 2007.

Since its formation in 2000, EADS has been a symbol of successful European industrial cooperation in one of the most competitive industries globally. For the past seven years, the dual-headed management structure with two Co-Chairmen and two co-CEOs has provided the necessary balance and stability required by a company with such a unique industrial heritage. It has allowed the Group to achieve outstanding results and overcome major technological challenges that are an inherent aspect of progress and innovation. However, the Shareholders and EADS' leadership have concluded that a simplified management structure is now more appropriate to provide the unified leadership needed for the next phase of the Group's development.

EADS' industrial shareholders, DaimlerChrysler and Lagardère, and the French, German and Spanish Governments, remain fully committed to the Group and firmly believe that this simplified management structure will provide a framework for effective corporate governance and continued future success.



Louis Gallois

Chairman  
**Rüdiger Grube**

Chief Executive Officer  
**Louis Gallois**

## Divisions

Airbus  
**Thomas Enders (CEO)**  
**Fabrice Brégier (COO)**

EADS Astrium  
**François Auque**

Defense & Security  
**Stefan Zoller**

Eurocopter  
**Lutz Bertling**

Military Transport Aircraft  
**Carlos D. Suárez**

## Group Functions

Finance  
**Hans Peter Ring**

Marketing Strategy and Global Development  
**Marwan Lahoud**

EADS North America  
**Ralph D. Crosby, Jr.**

Human Resources  
**Jussi Itävuori**

Chief Technical Officer  
**Jean J. Botti**



## EADS HALF-YEAR RESULTS 2007 reflect imperative for restructuring

➔ EADS' half-year results reflect the Group's restructuring efforts and charges to move large programmes forward. The recent shareholder decisions on the Group's governance and leadership structure set the stage for better management empowerment, clearer accountability and enhanced decision making ability.

**Revenues** were € 18.5 billion (H1 2006: € 19 billion), supported by strong commercial deliveries at Airbus, Eurocopter and EADS Astrium. Group revenues were lower due to the absence of an A400M milestone in the first half of 2007 and a negative US Dollar impact.

In the first six months of 2007, EADS recorded an **EBIT\*** (pre goodwill and exceptionals) of € 367 million compared to € 1,654 million in the same period of the previous year. The EBIT\* was largely impacted by A350XWB launch charges (€ -500 million), by a Power8 restructuring provision (€ -688 million) taken in the first quarter of 2007 by charges for

continuing support for the A380 and higher R&D expenses, as well as by a charge of a € 105 million cost at completion adjustment in the NH90 programme.

The management of Airbus Military and the A400M programme head within Airbus have been overhauled. The programme contains material risks on the overall time schedule, and system providers continue to face challenges that may infer late design implications. Final assembly of the A400M military transport aircraft is expected to start at the end of August 2007; first flight is expected to occur in the summer of 2008, and the consequence on deliveries and cost is under assessment by the new programme management.

EADS registered a **Net Income** of € 71 million (H1 2006: € 1,056 million), or € 0.09 per share (Earnings per share H1 2006: € 1.32). In the first six months of 2007, **self-financed R&D** expenses increased to € 1,268 million (H1 2006: € 1,139 million). This followed from Airbus'

continuing aircraft development programmes and a higher Research & Technology (R&T) effort.

**Free Cash Flow** including customer financing dropped to € -40 million (H1 2006: € 319 million) reflecting lower contributions from customer financing sell downs and build-up of working capital. Inventories increased across Divisions but were compensated by advance payments received and a better operational performance. Free Cash Flow before customer financing has improved to € -2 million (H1 2006: € -216 million). At the end of June 2007, **the Net Cash Position** remained stable at € 4.2 billion compared to year-end 2006.

The market environment for aerospace and defence remains supportive. Through its high-class portfolio EADS benefited from robust demand. The Group's **order intake** was boosted mainly by the market successes of Airbus and Eurocopter and reached € 70.2 billion (H1 2006: € 14.2 billion). The growth was partly curbed by the weaker US Dollar.

\* EADS uses **EBIT pre goodwill impairment and exceptionals** as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.



## OUTLOOK

EADS reiterates the revenues and EBIT\* guidance for 2007.

2007 revenues are expected to decrease by a low single-digit percentage factor on the basis of a €1 = US\$ 1.35.

2007 EBIT\* is expected to remain roughly stable at the level of the previous year. This is based on expected 440 to 450 aircraft deliveries at Airbus. The mix of opportunities and risks underlying the guidance is evolving: while the strong underlying operational performance

across businesses, particularly at Airbus, is providing cause for satisfaction, the risk level on certain key programmes would make it imprudent to change guidance in the present context. Non-Airbus EBIT\* should be close to €1 billion, before any impact from the A400M cost assessment. EADS' Free Cash Flow is now expected to be positive, thanks to the orders registered at Paris Air Show and to the stronger than expected cash performance achieved so far this year.

At the end of June 2007, EADS' **order book** grew to € 308.2 billion (year-end 2006: € 262.8 billion), despite a € -5.4 billion revaluation due to the weaker US Dollar. Orders of commercial aircraft activities are based on list prices. The Group's defence order book further increased through new contracts for Eurocopter and Defence & Security and stood at € 55.9 billion as of 30 June 2007 (year-end 2006: € 52.9 billion). This strong commercial performance lays a solid foundation for future growth. Per end of June, EADS had 116,848 **employees** (year-end 2006: 116,805).

### EADS GROUP (in €m)

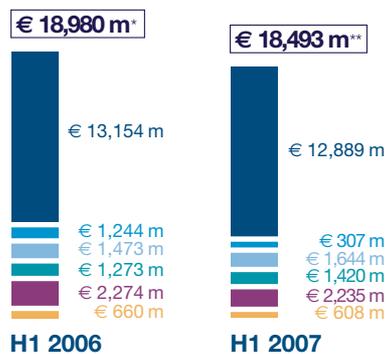
Revenues	18,493
Thereof defence	3,485
EBITDA <sup>(1)(4)</sup>	1,153
EBIT <sup>(2)(4)</sup>	367
Research and Development expenses	1,268
Net Income <sup>(3)(4)</sup>	71
Earnings Per Share (EPS) <sup>(3)(4)</sup>	€ 0.09
Free Cash Flow (FCF)	-40
Free Cash Flow before Customer Financing	-2
Order Intake <sup>(5)</sup>	70,219

H1 2007	H1 2006	Change
Revenues	18,980	-3%
Thereof defence	4,127	-16%
EBITDA <sup>(1)(4)</sup>	2,427	-52%
EBIT <sup>(2)(4)</sup>	1,654	-78%
Research and Development expenses	1,139	+11%
Net Income <sup>(3)(4)</sup>	1,056	-93%
Earnings Per Share (EPS) <sup>(3)(4)</sup>	€ 1.32	€ -1.23
Free Cash Flow (FCF)	319	-
Free Cash Flow before Customer Financing	-216	-
Order Intake <sup>(5)</sup>	14,153	+396%

- 1) Earnings before interest, taxes, depreciation, amortization and exceptionals.
- 2) Earnings before interest and taxes, pre goodwill impairment and exceptionals.
- 3) EADS continues to use the term Net Income. It is identical with Profit for the period attributable to equity holders of the parent as defined by IFRS Rules.
- 4) For 2006, EADS changed its accounting policy from the corridor approach to the equity approach, i.e. all actuarial gains and losses are recognized in Balance Sheet as pension provision thereby reducing equity. Therefore, EBIT\* for H1 2006 has been restated by € 22 million (Airbus: € 6 million; Eurocopter: € 4 million; EADS Astrium: € 2 million; Defence & Security: € 8 million; Headquarters: € 2 million). EBIT\* for Q2 2006 has been restated by € 11 million

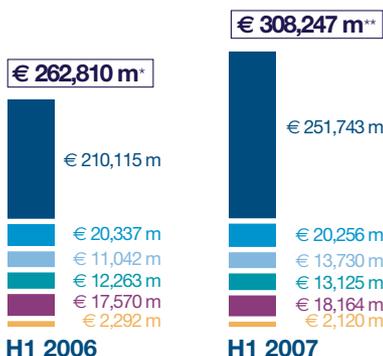
- (Airbus: € 3 million; Eurocopter: € 2 million; EADS Astrium: € 1 million; Defence & Security: € 4 million; Headquarters: € 1 million).
- 5) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.
- 6) Increase in Headquarters EBIT\* as a result of the gain from the sale of EADS' stake in Embraer, the sale of the building in Velizy (both realised in the first quarter of 2007) and a higher profit at Dassault.
- 7) ATR, EADS EFV, EADS Socata and EADS Sogerma are allocated to Other Businesses which is not a stand-alone EADS Division.

### REVENUES (by segment)



\*€ -1,098 m headquarters/consolidation  
\*\*€ - 610 m headquarters/consolidation

### ORDER BOOK<sup>(5)</sup> (by segment)



\*€ -10,809 m headquarters/consolidation  
\*\*€ -10,891 m headquarters/consolidation

### EBIT<sup>(2)(4)</sup> (by segment)



\*€ 64 m headquarters/consolidation  
\*\*€ 169 m<sup>(6)</sup> headquarters/consolidation

■ AIRBUS 
 ■ MILITARY TRANSPORT AIRCRAFT 
 ■ EUROCOPTER 
 ■ EADS ASTRIUM 
 ■ DEFENCE & SECURITY 
 ■ OTHER ACTIVITIES<sup>(7)</sup>

## AIRBUS: Show of strength



This year's Paris Air Show might equally well have been dubbed the "Paris EADS Show". Given the exceptional level of orders registered by Airbus, Eurocopter, ATR, EADS Astrium and other entities in the EADS Group during the trade exhibition, one might be tempted to rename the show. Especially the A380 and A350XWB have been the highlight of the show, receiving

## A FANFARE SHOW IN LE BOURGET EADS puts on its "Paris Air Show"



Signature of a firm order for 80 A350 long-haul aircraft by Akbar Al Barker, CEO of Qatar Airways.

Airbus ends the 47<sup>th</sup> Paris Air Show with new momentum for its leading product range, the A380, the A350XWB, the A330/A340 Family, as well as the A320 Family. During the Show the manufacturer received a total of 425 firm orders from 19 customers. In addition, Airbus received commitments for a total of 303 additional aircraft. Market demand for the A380 was further consolidated, with 13 additional orders and commitments from existing customers who further confirmed their interest in Airbus' all new "gentle green giant" by increasing their orders and commitments for this new product. Qatar increased its order book for the A380 by three firm orders. Emirates and Air France both committed to acquiring eight and two more A380s, respectively. Delivery to first operator Singapore Airlines will take place on 15 October. Orders received at the Show have also strongly validated Airbus' new A350XWB programme, which received a total of 141 firm orders from five

customers during the week. The customers include Qatar, Aeroflot, Singapore Airlines and lessors Alafco and CIT. In addition the new A350 received commitments for 52 aircraft from four additional customers (US Airways, Kingfisher, Libyan Airlines and Afriqiyah).

The A330/A340 Family continued to sell at record levels, receiving a total of 132 orders and commitments, of which 83 are firm and 49 are commitments. The A330-200 Freighter won as many as 46 firm orders from five different customers around the world. Altogether the family gained four new customers, which is also another indication of the success of this Family in the market place.

Finally, the demand for Airbus' Single aisle product Family was again confirmed, with the addition of 390 orders and commitments (198 firm orders and 192 commitments). Airbus increased its A320 Family customer base, also welcoming four new customers as well as two new ACJ customers.



## EADS ASTRIUM

Arianespace and Astrium, signed a Memorandum of Understanding for the production of 35 Ariane 5 launchers, in addition to the batch of 30 Ariane 5 launchers ordered in 2004.

This order defines the contractual framework for the upcoming order for 35 Ariane 5 ECAs. It allows the procurement of long lead-time items to begin now, in order to ensure launcher continuity in 2010.

tremendous customer endorsement. In five unique days for the aerospace industry, Airbus announced no less than 425 firm orders. Eurocopter received orders for 114 helicopters, and ATR for 41 regional transport aircraft. EADS Astrium netted contracts for 35 Ariane 5 ECAs and launched its space tourism concept, and defence deals were clinched including an agreement signed by France, Germany and Spain concerning the "Advanced UAV" surveillance and reconnaissance project, for which EADS is the prime contractor.

With more than 45 billion dollars-worth of orders booked by Airbus and record orders for Eurocopter, the 2007 Le Bourget Air Show marks EADS' return to strength and restored customer confidence.



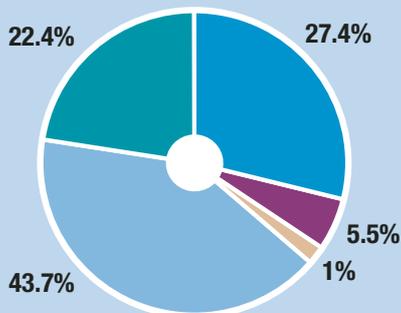
## EUROCOPTER

Eurocopter registers 114 orders at Paris Air Show, confirming its international Market Success. The combined value of the contracts signed at the show amounts to over € 1.2 billion. The spectrum of customers placing new orders ranged from governments booking for military aircraft, to commercial operators in the oil and gas industry, in emergency medical services, training, VIP/corporate as well as utility and tourist missions. With the remarkable sales success achieved at the show, Eurocopter aims at achieving around 700 bookings by year-end.



## CAPITAL STRUCTURE

### CAPITAL STRUCTURE as of 06/30/2007 (as %)



- **SOGEADE\***  
Lagardère and SOGEPA  
(French state holding Company)
- **DaimlerChrysler\*\***
- **SEPI**  
(Spanish state holding Company)
- **Institutional, retail and employee ownership**  
+ Shares held out of the contractual partnership  
French state
- **Treasury Shares**  
(Shares without economic or voting rights)

\*On 4<sup>th</sup> April 2006, Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds will represent a maximum of 7.5% of the share capital of EADS. At the last maturity date of the bonds – in 2009 – the SOGEADE stake will be in line with DaimlerChrysler AG's stake.

\*\*Independently of the 2006 movements, on 9<sup>th</sup> February 2007, DaimlerChrysler reached an agreement with a consortium of private and public-sector investors by which it will reduce its shareholding in EADS by 7.5% indirectly. This movement will not affect the voting rights of DaimlerChrysler.

## PROFILE

ISIN Code	NL0000235190
Number of issued shares as of June 30 <sup>th</sup> , 2007	818 347 925
Offer price on July 10 <sup>th</sup> , 2000	€ 19 for institutional investors € 18 for retail investors
High in 2007 on Paris Stock Market	€ 26.48 on January 2 <sup>nd</sup>
Low in 2007 on Paris Stock Market	€ 19.35 on August 17 <sup>th</sup>
Earnings per share (EPS) 2006	€ 0.12
Dividend per share 2006 paid on May 16 <sup>th</sup> , 2007	€ 0.12

## YOUR EADS SHARES

Over the period from 2 July to 14 September 2007, EADS shares lost significant ground in a difficult market environment closing at € 20.41, a decrease of 14.9%. EADS stock thus underperformed the CAC40 (-8.1%) and lagged substantially behind the DAX (-5.8%). At this time, European shares as a whole fell as concern grew that the worsening credit environment could drag on economic growth.

EADS' share price performance was especially hampered by the weakness of the US dollar against the euro. The dollar dropped to a record low of around \$1.40 against the euro, weakening on speculation that subprime mortgage losses would deepen and slow U.S. growth. This weakness could further affect Airbus' competitiveness against Boeing. However, the stock has enjoyed a mild Indian summer, supported by commercial announcements, including the order by British Airways of 12 A380s. Investors are more positive on the potential upside of the share, despite the media hype.

### STOCK PRICE EVOLUTION ON OCTOBER 12<sup>th</sup>, 2007



## SHAREHOLDER DIARY

- **October 22<sup>nd</sup>, 2007:**  
Extraordinary General Meeting - Amsterdam
- **November 8<sup>th</sup>, 2007:**  
Third Quarter 2007 Results Release

## SHAREHOLDER INFORMATION

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